the . Prime Minister, Shri Rajiv Gandhi. His complaint, rather, his allegation, is that, there is no moral support or legality to this agreement with a political party, not only a political party; his allegation, was that it is a religious party. I would like to know from my hon. friend, what is the use of signing an agreement on Punjab with Mr. Jaswant Singh's 'secular' party, BJP or my party? We have to take the realities into consideration. I am not going into the question of moral support or anything else. But what is the reality? Was there any use in having an agrement with Mr. Jaswnant Singh's party, to end the Punjab tangle? No. It is deliberately trying to divert the issue. We were all for a peaceful settlement of the Punjab problem. But how can this problem be solved without having an agreement with the Akali leadership? Am I or Mr. Jaswant Singh the concerned party? No.

Madam, it is clear from the atmosphere prevailing now that the steps taken by all concerned to come to an agreement on the Punjab issue were correct and the nation as a whole accept the accord, because they want peace. The people of India want a united and strong India. Madam, even though this is a belated ons. Everybody who is interested in the unity and integrity of the counlry welcomes this settlement. I know that some problems are there coi-cerning the neighbouring Stat°s. Haryana has some grievances, Rajasthan has some other grievances, in regard to river waters and territorial-claims. I do hope that the concerned parties will not use these simple matters to vitiate the atmosphere once again. We can settle these matters also, with the help of the judicial commissions and through negotiations, bilateral talks and we can find a solution to these problems also. Therefore, my request to all concerned is not to use these grievances or complaints to divert the whole issue again to the wrong track and vitiate the atmosphere through agitations, now declared by some Opposition parties.

Madarn, the settlement arrived at between the Government and the Akali leadership has been welcomed by all people; not only the Punjab population, but all over India, the people have supported this agreement. Here, I would like to mention that some unhappy elements, some divisive forces and their political agents outside the country, are 1.00 P.M. against this agreement. The settlement, no doubt, is a heavy blow to the terrorists and their bosses outside India, those who have been working for the disintegration of this country all along.

THE DEPUTY CHAIRMAN: Wc will continue with the discussion after luneh. The House is adjourned for luneh till 2.00 p.m.

The House then adjourned for lunch at one minute past one of the clock.

The House reasembled after lunch at two minutes past two of the clock.

The Vice-Chairman (Shri R. Ramakrishnan) in the Chair.

## STATEMENTS BY MINISTERS

### I. STOCK OPTION SCHEME FOR EMPLOYEES OF COMPANIES

THE VICE-CHAIRMAN (SHRI R. RAMAKRISHANAN): Statement by Finance Minisler.

THE MINISTER OF FINANCE AND COMMERCE (SHRI VISHWANATH PRATAP SINGH): Sir, as the House is aware, in my Budget Speech on 16th March, 1985, I had announced that Government was considering the introduction of a scheme of stock options to the employees and workers of companies. Two schemes have now been finalised which will be the first step of its kind to give workers a share in the equity of a company. -Under the first scheme, the stock is?ue would be linked to the saving of ihe employee. The conversion would take place affter five years at a pre-determined price which would be 80% of the average market price of its fair value, whichever is less. This scheme is proposed as voluntary both for the company and for

[Shri Vishwanath Pratap Singh]

employees. In the second scheme, companies would propose a reservation of 5% of the total public/righte issue for preferential allotment te their employees.

The details of the scheme are contained in the .guidelines, which are being placed on the Table of the House

THE VICE-CHAIRMAN (SHRI R. RAMAKRISHNAN): Now clarifications. Prof. Nirmal Chatterjee.

SHRI NIRMAL CHATTERJEE West Begal): Mr. Vice-Chairman, Sir, in fact a slightly more detailed statement was made available to us in the Finance Ministry's Consultative Committee meeting. In that statement a mention was made of several Western industrialised countries where such things are in operation. Perhaps it is meet that I refer to several nonsenses that were current in the late '60s in the Wastern world in this connection. One such nonsense at that time was that because of the introduction of market in the Soviet Union, it was going capitalist and the United States, because of the fact that share-owning was very much by the employees and others, was going socialist and these two were converging. Now, this is really quite an old experience in the western countries from which we learn these things imitatic them and call ourseives socialists. Now, in that report it was also suggested—I read that— "This will help introducing greater latyalty to the production unit/employer and *thh.,* would ultimately lead to more harmonious industrial relations ...'." Now my first submission and question is, does the Finance Minister in his wisdom really believe that this will lead to harmonious relations? The question arises because the loyalty that is to be extracted is towards the employer^, aiso and the employees, by any long chalk, recognize the employer only as an exploiter of their surplus product. The real condition of harmony is—of course in our view and which, we know, the Minister will not be able to share—to nationalize all these industries and the concept of employer being eliminated from the concept of the industrial unit. But that question is not germane to the proposal in concrete. What is the benefit, really, of this proposal? There are so m any channelizing ageneies.—the bankls are there the UTI, etc. are there. The benefit is that the employees, ag a section of the community, will get a higher rate of interest and the employers would be able to borrow funds at a lower rate of interest, that is, for the first five years, after which they will be converted into equity. Now, this is the benefit. Who really are interested in the kind of benefit that is being proposed here? There is that crucial provision, as I earlier mentioned, that after five years it will be compulsorily converted into equity. Now imagine the scenario in the industrial gector. The public sector, by and large, is losing. So, if the employees in the public sector are asked to deposit money at the rate of 15 per cent, after five years their return will be bleak; they will not get any dividend on. the basis of equity shares which the initial deposits would have been converted into. Then take the small-scale sector. They are also not gaining; they are also not profit-yielding or, at least this high rate of profit-yielding is not a characteristic of theirs. There also it ig a barren world for the employees. It does seem, therefore, that the channelizing of fund would only be to the monopoly sector or the FERA sector who declare dividend above 15 per cent, say, 20, 35 per cent and, sometimes, 48, 49 or 50 per cent also. They alone wil] have access to these additional funds and the whole scheme really is beneficial to them only. So, in that case a modification is necessary and I want to know whether the Finance Mmister is agreeable to this modification. The modification that is necessary is, if the question of workers' control is not settled, the workers will not feel inspired to enter into these areas and, workers* control means what?

THE VICE-CHAIRMAN (SHR: R. RAMAKRISHNAN): Professor Chatterjee, with due respect to your knowledge, please limit it to a real clarification .

SHRI NIRMAL CHATTERJEE: This is a clarification.

THE VICE-CHAIRMAN (SHRI R. RAMAKRISHNAN): Your clarification is rather long. It should not be converted into a debate.

SHRI NIRMAL CHATTERJEE: The clarification will be very finite, but the preamble is somewhat long. The clarification I am seeking is: Wil] it be possible for the Finance Minister to issue an instruction that out of the conversion of this amount into equity shares compulsorily, a Director has to be chosen from among these people into the Board of Management? If that is done, I feel that *the* employees would be a little more interested in the functioning of these hemes, and generation of black money can be prevented.

Thank you.

SHRI JAGESH DESAI (Maharashtra): Sir, first of all, I compliment the Finance Minister for initiating these two schemes. Though they may not be revolutionary, at the same time, it is for the first time that work-era will be given shares in the companies where they work. The Minister should see that the benefit is given, to all the workers. I fear that some educated employees only will get the benefit and others may not get it. For that purpase, the Minister should see that wide publicity in the media, TV, should be given about these two schemes, and especially the Labour Department must take initiative in calling the union leaders and explaining the schemes to them so that the ordinary workers can get the benefit of these two schemes.

I would like to ponder over two questions before the hon. Minister.

The first scheme is voluntary both for employer and employees. If the employer does not want to initiate the scheme, then, the \Mprkers will not get any benefit. As such, I feel that the first scheme should be mandatory ae far as the employers are concerned. As far as the employees are concerned, it may be voluntary.

As regards- the second scheme, 5 per cent of the total public/rights issue that would be proposed by the industries, this should be strictly adhered to, and in all the new issues the work-erg should be given this benefit of 5 per cnet. Probably. 5 per cent also, I feel, will not be sufficient. It should be raised to 10 per cent. But let us start this kind of experiment. By and by it can be made 10 per cent.

I agree with Prof. Nirmal Chatterjee that there should be at least one director from the shareholders, who will be the real nominee of the employees. The Government may appoint ,some additional directors from the trade union, but at least one should be there in all the companies, and, if necessary, the companies law also should be amended.

I am sure that this scheme will benefit workers. This will also enable and give incentive to saving, and by and by, I would say, they would also, not become owners, but be able to give the management their views in the board of directors.

With this, I again compliment the Finance Minister for these two schemes.

SHRI SUSHIL CHAND MOHUNTA (Haryana): Sir, T am happy that the hon. Finance Minister has at last thought of-helping the workers and has tried to translate his ideals to help the workers. But to me, ft appears that these two schemes will not actually benefit the workers at all because the amount that the workers will be losing by way of interest

[Shri Sushil Chand Mohunta]

on ihe amount of savings which will be utilised for five years by the companies, cannot be compensated by the purchase of the shares at 80 per cent of the price. Therefore, in fact, though it seems that we are introducing a system whereby a worker will become automatically a shareholder. Ultimately he will have no say in the affairs of the company. The shares which he would have got he will be paying actually more than the value of the shares, because the deposits with the company and the interest which will be normally awarded to the workers would be comparatively so low that it will not be compensated by 80 per cent of the average market price or it3 fair value. Thereiore, at this moment, I would also like to put a straight question to the hon. Finance Minister; Is there a (scheme by which he can make the workers to be associated with the management of the company. If there is such a scheme, I can understand that sooner or later the workers can be looked after; and they will be having more interest in the management and the running of the company. Ultimately that cannot happen. This scheme itself is so illusory that no benefit will accrue out of it.

SHRI VISHWAJIT PRITHVIJIT SINGH (Maharashtra): Mr. Vice-Chairman, Sir, I have not had the benefit of seeing the detailed guidelines which the Honourable Minister has said that he has laid it on the Table of the House. But on the face of it, Sir, a number of lacunae seem to be arising. The first as has been pointed out by my hon. friend just now which I would like to elucidate upon; is the busines.- of this five years gap. Now, at what price would the shares be taken at the commencement of the Eiaving put into the deposit or as the point of giving the stocks at a mid way point or at an average mean. According to me that is a very important point.

Secondly, why should the savings of the workers be tied up for five years in any ease? 1 can understand if you want the savings to be accumulative, say Rs. 1,000, out of which Rs. 200 will be deposited every year then it comes to Rs. 1,000 within five years. Then you will say Rs. 1,000 share. You cannot turn around and ask a man to deposit Rs. 1,000 and give him a share five years later. I would like the Honourable Minister to clarify this point.

Thirdly, when the Minister talks about the second scheme in terms of reservation of 5 per cent of the total public/rights issue for preferential allotment to their employees by the companies, I would like to elucidate a very important point here; and that is regarding the FERA and ex-FBRA companies.

All the FERA companies, many of them which were major multi-nationals have taken advantage of the FERA have now diluted their equity shares. I would like to lay emphasis on the word 'diluted' because the original proposal was discussed in both the Houses of Parliament and also by the various financial experts who have suggested that there should be dis-investment. If a company has got 100 shares, it should sell 60 of those shares in the market and come down to 40. Unfortunately, this disinvestment has not taken place; and dilution has taken place. Now that dilution has taken the form of issuing new shares cornering more capital from the Indian market and control of the companies remains with their principals abroad. Even the companies whicii have come down to 40 per cent still remain multinational foreign companies. This point is very important, because disinvestment has not been properly pursued by the Government and they have been allowed to dilute. When the policy statement for the new drug policy suggested by the Haathi Committee was laid on the Table *ot*

the House, the Government has promised that they would ask these companies to sell their shares to their employees^ 1 would like to know from the Honourable Minister.- Will he ask these companies to sell their shares, when he makes special guidelines for the FERA and ex-FERA companies, a majority of them to their employees not limited to 5 per cent. I request the Government to do it by law and force them to sell ihe wares to then employees who are more willing, able, capable, wanting and yearning to buy those companies and take control of those companies so that those companies can finally be classified as Indian companies. Today, Sir, you are classifying as Indian companies, companies which are not Indian. Every single foreign company is lining up at the doors of the Hon'ble Finance Minister, asking to be classified as Indian company, wanting more money to come in. I would like to know from the Hon'ble Finance Minister what changes he envisages in these and what guidelines he proposes in these stori-option schemes and how we are going to get round this particular lacuna, which has been cxept ir. the law? Thank you.

SHRI GHULAM RASOOL MATTO (Jammu and Kashmir): Sir, I compliment the Hon'ble Finance Minister for having introduced the scheme but to my mind, there are one or two lacunae in it which need to be plugged in the rirst instance. There was very little time I had at my disposal. While reading the statement of the Minister, I find from what he said and Sir. I quote:

> "The conversion would take place after five years at a pre-determined rate which would be 80 per cent of the average market price or its fair value whichever is less".

I think, we should have added the words "at the time of issue of the stock". This price determination of 80 per cent should not take place at the end of five years when the total amount is being paid by the employee. It should be at the time of the issue of this because at the time of the issue, whatever price will be determined after five years when the employee pays off his determined amount, he can pay at the rate fixed at the time of issue of the stock. The second point that I want to raise is that he said, and I quote:

> "In the second phase, companies will propose a reservation of 5 per cent of the total public rights issue for preferential allotment to their employees"

This 'propose' is a must. Will should be replaced by the word must. They must propose a reservation of first five per cent. If this five per cent reservation is not determined, say for one year, if this is not available for one year after the issue of this stock share then alone, they can be able to give it to the other parties.

Therefore, it is not a question of proposing. Here propose means 'may'. It must be 'must'. The third point that I want to bring to the notice of the Hon'ble Finance Minister is that he should set apart, as a initial measure, a sum of Rs. 10 crores out of which the employees can draw as a loan for investment in these debentures and pay them off out of their pay and emoluments. If this amount is available to them from and out of the exchequer of India, they will be able to utilise this and then invest it. With these observations, I again, commend and would ask the Hon'ble Minister to give his reply.

श्री रुक्मदेव नारायण यादव (बिहार): श्रीमन्, मैं केवल वित्त मंत्री जी का ध्यान इस ओर आकृष्ट करना चाहता हूं कि जो यह कंपनियां हैं वह कंपनियां सरकार का कर्जा लिये हुए है और सरकार की जिस कंपनी में हिस्सेदारी भी है, लेकिन उसके प्रबंधतंत्र पर सरकार का कोई

[ श्री हुकमदेव नारायण यादव ]

नियंत्रण न रह कर उन पूंजीपतियों और मालिकों का नियंत्रण है । तो जो वह मालिक बतायेंगे वह तो आप करेंगे और उसी हिसाब से आप उन के हिसाब किताब और बही खातों को मानते हैं । जब वे सरकार के बही खातों को गड़बड़ करते हैं, मुनाफे को घाटा करके दिखा देते हैं और सरकार का कोई नियंत्रण नहीं रह पाता तो 5 फीस दी मजदूर भी अगर उसमें हिस्सेदारी ले लेंगे तो उससे मजदूरों का क्या लाभ होगा । मजदूर तो 5 प्रतिशत हिस्से का पैसा दे देंगे लेकिन मैनेजमेंट तो उस पूंजीपति के हाथ में ही रहेगा । डाइरेक्टर कोई मजदूरों में से बनेगा नहीं और प्रबंधतत्व में भी उन की कोई हिस्सेदारी नहीं होगी । तो जैसा वह पहले मजदूर था वैसा ही वह मजदूर रहेगा और जो उस को वेतन, भत्ता मिलता था उस में से कुछ रुपया वह अपनी पूंजी का कारखाने को चलाने के लिये दे देगा और कारखाने में घाटे पर घाटा होता रहेगा और उस मजदूर की पूंजी घाटे में ही खत्म हो जायेगी और उसको कुछ नहीं मिलेगा । तो कुछ ऐसा करना चाहिए कि जो उन का प्रबंधतंत्र हो उसमें भी मजदूरों का कुछ हिस्सा हो और उस के मैनेजमेंट में भी मजदूरों के कुछ प्रतिनिधि रहें । मैनेजमेंट में मजदूर की साझेदारी हो तभी मजदूरों की असली साझेदारी मानी जाय । 5 वर्ष में रुपया देना है । यह जो आप ने कदम उठाया है, यह समाजवादी कदम है और बहुत अच्छा है कि उसमें मजदूरों की हिस्सेदारी हो, कारखाने में । बहुत हिम्मत और साहस कर के आप इसे कर पायेंगे । आप का इससे नाम भी होगा और आपको यश भी मिलेगा और लोग, समझेंगे कि कोई सरकार आयी थी कोई वित्त मंत्री बने थे और उन्होंने एक साहस का कदम उठाया था ।

SHRI VISHWANATH PRATAP SINGH: Sir, I think the suggestions have been on the positive side, in the direction in which the thrust of the scheme is. There may be differences on what the measure of the step should have been, but so far as the direction of the step is concerned. I think there has been no opposition to that. What has been asked is that more steps should be taken in that direction and I go by the feelings of Members in this matter. Certainly this scheme is not a substitute for workers' participation in management. It is only on the share side that we can, the Finance Ministry can do something. Workers' participation in management or their being on the board of directors is a positive policy of the Government which it wants $t_0$ cultivate and this does not replace that, or it is not a substitute for that. It is in addition, in the direction of what we want to do in workers' participation in management. About, why five years have been given, naturally a worker can not in one year have savings to buy a sizeable amount of shares. By putting in five years, he builds savings whereby he can get a sizeable amount of shares.

About interest if you see guideline 7, interest payment is there at the highest rate permissible on the security under the guidelines of the Controller of Capital Issues. So interest is provided. Also a point was made as to which year it would relate to. One hon. Member made this point. If you see the guidelines, para 8, the conversion would take place at a price determined in the year in which the scheme is introduced by the company. So it is the initial year and it is that year's price that the worker will get the benefit of five yeans later. He will be paying in between, but he will $b_e$ getting the benefit of the initial year's price 80 per cent of it. So. there is a substantial gain.

SHRI SUSHIL CHAND MOHUNTA: I do not understand the words mentioned here—'average price*.

SHRI VISHWANATH PRATAP SINGH: Average means, in six months it may be fluctuating, high and low and there is a way where thi$_s$ six-month period is identified. Within that it will be taken. It will be to the benefit of the worker. Within five years the price will go up, but he will get it at 80 per cent of the rate which prevailed five years earlier, and he gets interest also. And he can save over Ave years.

As for the fear that this will be exploited for losing companies and the public sector, there need be no fear. It is voluntary. Naturally the workers know what is the condition of the factory or mill or enterprise or unit. Only in profitable units, they will be subscribing. Now, about the second scheme,...

SHRI NIRMAL CHATTERJEE: Profitable companies are the MRTP companies, let us say. So this measure really helps them, no other.

SHRI VISHWANATH PRATAP SINGH; No. no. Mr. Nirmal Chatterjee, you know it. Sir, instead of seeking clarifications, they are confusing, and I have to clarify his confusion.

SHRI DIPEN GHOSH (West Bengal) : Is he confusing the Minister?

SHRI VISHWANATH PRATAP SINGH; No. in spite of all attempts.

About the second scheme, Mr'. Matto pointed out that the word "propose" has been used. H$_e$ may rese assured that they will not get fresh capital issues unless they do it in five years.

THE VICE-CHAIRMAN (SHRI R. RAMAKRISHNAN): That concludes clarifications on the Finanace Ministers statement. Now,...

SHRI JAGESH DESAI: It is voluntary even for employers. It should be made mandatory.

SHRI VISHWANATH PRATAP SINGH: The first one is voluntary. As we gain experience we can bring in further steps.

**THE PUNJAB APPROPRIATION (NO. 3) BILL, 1985—contd.**

THE VICE-CHAIRMAN (SHRI R. RAMAKRISHNAN): We shall proceed, now proceed with the Punjab Appropriation (No. 3) Bill, 1985. Mr. Mohanan will continue his speech.

SHRI K. MOHANAN: Mr. Vice-Chairman Sir, as I have mentioned in the earlier part ,of my speech, the agreement arrived at between the Government and the Akali leadership will frustrate in imperialist machinations to destabilise this country in a big way. I think this is one of the major achievements of this agreement. But I would like to warn the Government that the danger i$_s$ not completely over. The clouds are still there. We will have to be very cautious about it. Some reports appearing in the press are quite disturbing. I am talking of reports about Ecuador's preparedness to recognise th$_e$ so-called Khalistan Government and we know that this is nothing but a plot of US imperialism and that US imperialist!.? are working behind this move.

I am happy and proud to say that my party was always On the correct line regarding the Punjab tangle. Th$_e$ agreement contains all the demands put forward or all the proposals put forward by my party nearly two years back. From the very beginning it was our position and we urged the Government to differentiate between the extremists and those who were for a settlement within the constitutional framework and safeguarding the unity and integrity of this country. It i$_s$ my opinion that if the Government had taken a positive approach towards these proposals made by my party and all other secular Opposition parties in June 1983, the great harm that has been done could have been avoided and averted.

As regards th$_e$ future of Chandigarh, the river water disputes and the territorial disputes, I am happy to